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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001330

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TAGS: [EAGR](#) [ETRD](#) [ECON](#) [PGOV](#) [BM](#)
SUBJECT: BURMA: RICE POLICY INDECISION

REF: RANGOON 625 AND PREVIOUS

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

1. (C) Summary: A surprising re-entry into the rice market by the GOB's agricultural export arm adds another layer of confusion to the government's rice policy. We don't see the GOB remaining in the business long, though we cannot predict the imminent return of the private sector either. However, we are hearing that the future of the ten-month "temporary" export ban may be decided one way or the other by the end of the year. End summary.

The Old Bait and Switch and Bait

2. (C) The GOB's rice export "policy" continues to drift. Though the government's "temporary" ban on the export of rice continues into its tenth month, there are signs that the embargo is beginning to crack. However, this has been no boon for jilted private exporters as the initial hushed contracts have benefited the old agricultural commodity monopoly: Myanmar Agricultural Products Trading (MAPT). According to a knowledgeable commodities trader, MAPT has been tasked with providing the 130,000 tons of rice the GOB has sold in recent months (though only 23,000 tons have been shipped to date, with another 30,000-40,000 tons expected to ship before the end of CY 2004).

3. (C) It's unlikely that this new arrangement will last. According to the source, MAPT has been quietly brought off the bench to sell off the GOB's warehoused stock that is becoming valueless with age. Ironically, poor record keeping and years of corruption by state warehouse managers, who sold rice out the back door, have left MAPT about 65,000 tons short of the amount contracted. This amount will have to be made up from the private sector, as government forced-procurement of rice from farmers ended this year.

4. (C) Another piece of evidence that the government's re-entry into rice is short-term is the GOB's clear intent to dissolve the state's agribusiness entities. Since the March 2003 decision to open the rice market, MAPT staff has been cut from 14,000 to 3,000 employees (not enough to run a massive procurement, storage, and export operation). Additionally, the Ministry of Agriculture's export promotion and agricultural research and education arm, the Myanmar Agriculture Service, is reportedly being downgraded from a state-owned enterprise to a department within the ministry.

5. (C) The GOB's move to eliminate its role in rice exporting does not necessarily signal an imminent return of the private sector. The initial justification for the export ban was fear of rising rice prices and a weak grasp on nationwide production and demand statistics. The latter problems have not been touched, and recent flooding in agricultural areas (plus a huge spate of buying earlier this year by the military, see refTel) have been nudging up prices. However, there is some good news. The government in August lifted the ban, also in place since January, on exports of corn and reliable sources tell us the senior SPDC leadership will revisit the question of private sector rice exports in December.

Comment: Believe it When You See it

6. (C) The result of this expected policy review is impossible to predict, but we see three possible outcomes. First, the SPDC could allow the private sector to resume its pre-January operations freely buying and selling within the new system. Second, the SPDC could re-open partially the rice market, allowing such military-controlled "private" firms like Myanmar Economic Holdings, Ltd. to take the lead. Finally, the SPDC could decide the situation is still too fragile to allow the market to prevail, and keep things at the politically safe status quo -- with the attendant damage to farmers, exporters, and foreign exchange reserves. End comment.
Martinez